April 1999

NOVA SCOTIA
Department of Finance

Nova Scotia Economic Outlook Report

A special report on the provincial economy by the Nova Scotia Department of Finance

Outlook

"Nova Scotia's good economic performance is driven by strong capital investment and an increasingly diversified business services base. These factors helped Nova Scotia achieve above national average growth in 1998 and this trend is expected to continue in 1999"

Minister of Finance, Don Downe

1998 Performance

Economic projections by the Department of Finance indicate the province's economy outperformed the national average for the first time in seven years during 1998. This projection is consistent with a consensus view of private sector forecasters that shows GDP growth of 3.3% in 1998; the Canadian economy's growth rate was 3.0%.

"EMPLOYMENT GROWTH IN NOVA SCOTIA AVERAGED 3.0% IN 1998, WITH EVEN STRONGER 4.4% GROWTH IN FULL-TIME EMPLOYMENT."

Investment in capital related to the Sable Offshore Energy Project (SOEP) was the major driving force behind this growth. Statistics released on April 15, 1999 show 2,008 people were working in Nova Scotia on the project.

The increased SOEP employment combined with new jobs in other areas to give the province strong total employment growth.

This year was the first time the total number of people employed in Nova Scotia exceeded 400,000.

Employment in 1998 averaged 403,700 compared to an average of 391,900 people working in 1997. This gave Nova Scotia a 3.0% increase in employment, with even stronger 4.4% growth in full-time employment.

All of the employment gains occurred in the private sector and were broadly based across industry sectors. This reflects the extensive reach of SOEP's impacts.

Increases in employment were particularly strong in Wholesale and Retail Trade, Business and Personal Services, and Financial Services. Manufacturing also registered a significant net gain in employment. Employment growth in Construction was constrained by the lower-than-expected level of activity in housing construction.

Tourism had another banner year in 1998. Building on the double-digit growth in revenues in 1997, tourism officials estimate that there was a further gain of nearly 6.0% in 1998.

With more people working and more tourist spending, retail sales in Nova Scotia increased 4.0% in 1998.

Export trade growth was also strong. Despite significant weakening in Pacific Rim markets, the latest Statistics Canada numbers show Nova Scotia merchandise exports to international destinations rose by 8.7%. Seafood remains Nova Scotia's single largest export, with aquaculture production growing by 60% to $25 million, in 1998.

The weaker Canadian dollar helped the province take advantage of the continued growth in the US economy. These positive factors reinforced the 4.9% increase in shipments by Nova Scotia's manufacturers.

In the service sector, business services growth continued with strength in the computer services, entertainment and educational services sectors of the economy.

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1999 Outlook

The majority of private-sector forecasters predict Nova Scotia's economic growth to continue to exceed the national growth rate in 1999.

Investment is a key factor affecting economic growth. In Nova Scotia, the total amount of investment spending remains at a level substantially higher than in 1997 and in previous years. However, capital investment will be down slightly (3%) from 1998 as the SOEP reaches the production stage scheduled for November of this year.

Another area of investment, new housing construction, is also starting off strong in 1999. Urban housing starts are up 59.1% in the first quarter. New school construction and the Sable gas pipeline distribution system construction projects will help ensure a significant level of new investment in Nova Scotia for several years to come.

Record employment for Nova Scotia is expected to be achieved again in 1999. The unemployment rate, seasonally adjusted stands at 10.3% in March of 1999. A higher employment level will result in solid personal income growth.

In addition, the recent federal budget will provide extra discretionary income for Nova Scotians. The federal tax reduction measures that take effect on July 1, 1999 will save Nova Scotians approximately $110 million annually in federal and provincial income taxes combined. Pay raises for the military are estimated to result in $20 million more in income for Nova Scotia armed forces personnel.

The increased disposable income supports growth in consumer spending and a broadening of sales activity among retailers. As an example, automobile sales are recording their third consecutive year of strong growth. In the early months of this year, (Jan-Feb), sales value is up 15.2% over the same period last year.

General consumer spending will also be assisted by a forecast 3% growth in Tourism on top of the strong growth experienced in 1997 and 1998.

The province's traditional resource industries, overall, are expected to maintain a steady pace in 1999 with gains predicted in the fisheries sector for lobster and shrimp.

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In other sectors a number of firms have already announced projects that will help strengthen the economy and Nova Scotia's job performance this year.

They include call-centre businesses by companies such as Watts in Bridgewater and Staples in Halifax, augmenting growth in the Information and Communication Technology sector.

The film, video and multi-media industry is also experiencing strong growth by firms such as Salter Street Films, and Cochran Entertainment.

In Manufacturing, Trentonworks is expanding production capacity at its rail-car plant, Michelin is proceeding through a multi-year investment program in its tire manufacturing facilities, and Stora is in its first full year of operating its new supercalendered paper mill.

These examples illustrate a growing export-oriented manufacturing and business services base in Nova Scotia. Developments such as these will act to balance some significant economic and social challenges facing the province, such as those associated with the planned shut down of the Phalen mine.

Nova Scotia's growth will also be sustained by strong performance in other parts of the country and in the United States.

Performance was exceptionally strong in both the Canadian and US economies in the last quarter of 1998, and this momentum is carrying through into 1999.

On balance, the Nova Scotia Department of Finance is confident that the province's economy will continue to perform above the national average in 1999.

Economic Growth Forecasts for 1999

	NS	Canada
CIBC	2.7	3.0
Royal Bank	2.6	2.3
Scotiabank	3.5	2.4
APEC	3.0	2.2
Conference Board	2.2	2.8

Source: Department of Finance Survey of Forecasters

NS Capital Investment ($ million)

1995	1996	1997	1998	1999
2,913	3,058	3,992	4,688	4,532
	4.3%	30.5%	17.4%	-3.3%

Source: Statistics Canada (cat. no. 61-205)

The Nova Scotia Department of Finance publishes a variety of economic and financial accountability documents each year. Notices about the release of this and related information may be received by subscribing to the Department's e-mail alert system, NSFinanceNews. For details on how to receive e-mail notifications on a timely basis, please visit our Internet Site at: http://www.gov.ns.ca/fina and then click on FinanceNews button.